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HOW AND WHEN OUR WAR DEBT CAN BE PAID.

SPEECH

OF

HON. WILLIAM D. KELLEY,

OF PENNSYLVANIA,

ON

THE EXTINGUISHMENT OF THE PUBLIC DEBT;

DELIVERED

IN THE HOUSE OF REPRESENTATIVES, JANUARY 3, 1867

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EXTINGUISHMENT OF THE PUBLIC DEBT.

The House being in the Committee of the Whole on the state of the Union—

Mr. KELLEY said:

Mr. CHAIRMAN: Within an hour of the opening of the present session I introduced the following resolution, which was adopted without dissent:

“That the Committee of Ways and Means be instructed to inquire into the expediency of immediately repealing the provisions of the internal revenue law whereby a tax of five per cent. is imposed on the products of the mechanical and manufacturing industry of the country.”

On the succeeding Monday, having in the mean time examined the report of the Secretary of the Treasury, I submitted the following:

Resolved, That the proposition that the war debt of the country should be extinguished by the generation that contracted it is not sanctioned by sound principles of national economy, and does not meet the approval of this House.

I hoped that this resolution would also receive the immediate assent of the House, but it thought proper to refer it to the Committee of Ways and Means. I am, however, not without an assured hope that with the sanction of that committee it will at an early day meet the approval of the House and relieve the country from the profound anxiety and depression created by the unprecedented propositions of the Secretary. With these resolutions in view I propose, Mr. Chairman, to detain the committee for a little while by an examination of that budget of inaptitudes, incongruities, and *non sequiturs*—the report of the Secretary of the Treasury.

This report is indeed a noticeable document. It abounds in phrases and propositions of doubtful meaning; its abstract propositions, many of which as mere abstractions are true, and should be considered by the founder of a

new and independent community, are not only inapplicable but are contravened by the inexorable peculiarities of our condition; its abounding facts do not sustain but with emphasis gainsay the conclusions they are marshaled to support; and the means by which it proposes to return to specie payments and extinguish the national debt within given periods would, by virtue of laws as fixed as that of gravitation, produce bankruptcy, individual, corporate, State, and national, and postpone the permanent resumption of specie payments for a quarter of a century. There is nothing in this report to gratify one's national pride. As we read it we seek excuses for its author and hope we may be able to say for him that he confided its preparation to a subordinate who dealt unfairly by him. It may, however, be that Mr. McCulloch, like an oarsman, rowed one way and looked another, and was too modest to announce his real purpose. He may have improved the occasion to repair a neglect in the education of the people; for Rev. Mr. Nasby tells us that the Secretary was present at the Cabinet meeting convened to consider the “onparalleled loosenin uv the Nashnel-Union-Johnson-Dimekratic party in the various States wich held elections on the 9th uv October last,” and that he attributed it “to the limited knowledge the masses hed uv ‘Ingeany bankin.’” But, be this as it may, I am sure the country will sustain the assertion that whatever commendation the report may deserve or receive from “Ingeany” or other bankers it is marked by no leading suggestion adapted to the existing exigencies of our country.

The Secretary's wisdom is that of a man owning a thousand fertile acres, who by the aid of a loan on mortgage had feneed them in and built barns and all requisite outbuildings, and gathered live stock and the many implements by which genius has lightened the labora

and increased the profits of the farmer, and who withal had able-bodied sons to share his labors, and by aid of these was accumulating a fund with which in a few years he could extinguish his indebtedness; but who when a fire consumed his barns and implements and choice stock would not use his savings to renew his stock and implements, but though his creditor was not anxious for his money would sell his interest-bearing bonds and hand over the proceeds, his working capital, as part payment of the mortgage debt.

He who under such circumstances would come to such a conclusion and execute it would find but little sympathy among his neighbors. Eager as they might be to repair his losses they would not be likely to make him county treasurer or confide the township funds to his administration. They would probably deem him inadequate to the management of his own property, and feel that their neighborhood was well rid of one who could thus stupidly sacrifice his resources and doom his sons to idleness or to earn laborers' wages on the land of strangers. Yet, disavowing all disposition to exaggeration or caricature, I present such an one as the prototype of our Finance Minister, as he discloses himself in this report.

Witness the exultation with which he announces that during the brief period of fourteen months, namely, from August 31, 1865, to October 31, 1866, the principal of our debt was reduced \$206,379,565 71. I wonder whether in his exultation Mr. McCulloch remembered that this immense sum of more than \$206,000,000 had been added to the cost and market price of the product of but fourteen months of American labor and that by its addition to the cost and price of our home productions those of the underpaid labor of Europe had been given the advantage over the American laborer in our own markets and those of the world. I wonder whether in his pride he perceived that he was announcing the needless abstraction of more than two hundred and six millions of active working capital from the business men of this country, many of whom were struggling to maintain infant industries which had been called into existence by the war and needed the fostering care of the Government to give them prosperity and permanence. Unfamiliar as he appears to be with the laws of social science and the history of their development, it is possible he did not know the advantage he was giving to British monopoly over competing American enterprise and industry by recommending the continuance of the excessive taxation which enabled him to pay those hundreds of millions. England is the foe of the laborer in every land. To maintain her monopoly she must undersell other nations in their own markets, and to effect this must depress the wages of labor to the lowest possible point and use shoddy or other base mate-

rial whenever it can be done without immediate detection. Her capitalists are, we are assured, accumulating £100,000,000 or \$500,000,000 surplus capital per annum; and for more than a century it has been their policy to apply a portion of this surplus to the destruction of the industries of other nations by underselling them, though for a time it involved loss on certain kinds of goods. We have often been the victims of this unscrupulous policy, and if the suggestions of the Secretary prevail it will again prostrate us.

The war of 1812 developed our productive power very considerably; but in two years after the war closed the capitalists of England, by the express advice of her leading statesmen and in pursuance of a deliberate combination, swept our young manufactures out of existence. In the course of a speech in Parliament in 1815, Henry Brougham, exulting over our wide-spread bankruptcy, said:

"It is well worth while to incur a loss upon the first exportation in order by the glut to stifle in the cradle those rising manufactures in the United States which the war has forced into existence."

History, so far as that chapter is concerned, is repeating itself, and our market is glutted with British woolen goods which until our factories shall discharge their work-people and suspend operations will be sold at less than cost. The assessment of extraordinary taxes for the extinguishment of the war debt while such a contest is waging will make the victory of our enemy an easy one. The policy is suicidal, and will prove fatal to our revenues by paralyzing the productive power of the country and diminishing the ability of the people to consume either dutiable or taxable commodities. This is not the language of declamation. It has high official sanction, among which is that of the revenue commission appointed by the Secretary himself, as will appear by the following extract from the last annual report of the secretary of the National Association of Wool-Growers.

Before presenting this extract I should remark that the tax on manufactures has been reduced from six to five per cent. since the preparation of the official reports to which it refers:

"The internal revenue tax paid in the year 1865 upon 'woolen fabrics and all manufactures of wool' amounted to \$7,947,094, being 3.79 per cent. upon the whole of the internal revenue collected. How heavily this tax bears upon our manufactures is shown by facts presented in the report of the secretary of the State of Massachusetts upon the industrial statistics of the State for the year 1865. The capital invested in woollens proper is shown to have been \$14,775,830, and the value of the woolen product to have been \$48,430,671. Six per cent. upon the latter sum, the amount of the revenue tax, is \$2,905,846, being 19.66 per cent., or in round numbers 20 per cent. upon the

capital invested in woollens. This tax has been paid cheerfully under the impulses of patriotism. But it cannot be borne long. In the language of one of the special reports of the revenue commission, 'It has no parallel, probably, in the fiscal regulations of any civilized nation. It would utterly destroy in ten years two thirds of the various kinds of production subject to its operations.'"

Gentlemen will not fail to observe how perfectly the views of the commission are supported by the facts above cited in relation to the woollen manufactures of Massachusetts. But I recur to the revenue report:

"A very large proportion of the manufacturing establishments in the United States sell products yearly to two or three times the amount of their invested capital; and in many departments of production their sales yearly amount to more than three times the cost of their establishments. If the capital invested be \$100,000 the sales may amount to two or three hundred thousand dollars, and the tax on that business will range from twelve to eighteen thousand dollars; that is, from twelve to eighteen per cent. on the cost of the manufacturing establishment."

And again:

"In every point of view in which it is presented it seems clear that the six per cent. tax upon manufactures will destroy productive power in an increasing progression; that it will in a few years, if not removed, furnish a sad monument to perpetuate the memory of a great mistake."

The Secretary's time and attention have probably been so absorbed by his official guillotine that he has not been able to examine the reports submitted to him by the revenue commission. I will, in the hope of bringing them to his attention, add to the foregoing the following brief extract from their preliminary report of last year, submitted to him by Mr. Commissioner Wells:

"The remedy, therefore, for the difficulties above pointed out and illustrated, save in a few striking instances which have probably resulted from oversight in the framing of the law, must, in the opinion of the commission, be sought for in such a revision of the present internal revenue system as will look to an entire exemption of the manufacturing industry of the United States from all direct taxation, (distilled and fermented liquors, tobacco, and possibly a few other articles excepted.) This the commissioners are unhesitatingly prepared to recommend."

These grave considerations, though specially reported to him by his own agents, do not seem to have attracted the attention of Mr. McCulloch; for while exulting over the rapid payment of the debt, without seeming to detect the cause of the popular emotion, he says:

"Nothing in our history has created so much surprise, both at home and abroad, as the reduction of our national debt. The wonder excited by the rapidity with which it was created is exceeded by the

admiration of the resolution of the tax-payers themselves that it shall be speedily extinguished."

It is true, Mr. Chairman, that surprise and wonder agitate the practical men of the country. These emotions are not, however, excited by the fact that we were able to bear extraordinary taxation while the development of our boundless productive power was stimulated by the exigencies of the war, and our own market was secured to our own producers by the difference between our lawful currency and gold, in which payment of duties on imports was required. The taxes under which those hundreds of millions accumulated were assessed while war was raging and for war purposes, and could have been borne as long as the conditions I have indicated were maintained. Wise men know this, and that the war terminated abruptly and earlier than was expected, and do not hold the Secretary accountable for the results of this contingency. No matter what sacrifices it involved, the people would have cheerfully borne them rather than yield the questions put at issue by the war. But these questions have been happily settled by war's arbitrament. Peace is restored, our currency approximates the specie standard, and it is discovered that by aid of our inordinate internal taxes foreign manufacturers are monopolizing our home market. Our publishers buy their paper and print and bind their books in England or Belgium; our umbrella-makers have transferred their workshops to English towns; our woollen and worsted mills are closed or closing, and the laborers in these branches are not only wasting their capital, which consists in their skill and industry, but drawing from the savings-banks or selling the Government bonds in which they had invested their small accumulations to maintain their families during the winter; and our enlarged importations of foreign goods are swelling the balance of trade against us and preparing us for general bankruptcy. The surprise of which Mr. McCulloch speaks is excited by the fact that in view of this condition of things the Secretary of the Treasury should urge the maintenance of extraordinary taxes sufficient to enable him to apply not less than \$50,000,000 per annum to the extinguishment of our debt by the rapid absorption of the only portion of that debt which bears no interest. Wonder amounting almost to awe does possess our people, and it is excited as was that of the unsophisticated sailor who, in the midst of an exhibition of magical illusions, was blown into the air by the accidental explosion of powder, and in his damaged condition wondered what would come next in the order of exercises.

That the tax-payers have resolved that the principal of our debt "shall be speedily extinguished" I deny. They regard the attempt as Quixotic, as destructive of our industrial interests, and beneficial only to money-lenders,

speculators in Government securities, and foreign manufacturers. Sir, if the Secretary is accessible to the voice of remonstrance he must by this time be satisfied that there is no tax-payer in the country who is not engaged in importing foreign goods or in shaving notes, or who, having bought bonds at low rates in a depreciated currency, hopes to have them redeemed at an early day in specie, who does not dissent from the assessment of extraordinary taxes for the extinguishment by the generation which created it, of a debt, the security of which is undoubted and which was incurred for the benefit of posterity. The opinion of the people on this question is modestly expressed by the editor of the ablest and most instructive of our industrial journals, the *Iron Age*. He says:

"We are glad to see that a resolution for the entire removal of the manufacturers' tax of five per cent. has been introduced, and hope it will be adopted. As an independent proposition, outside of any other amendment of the tax or tariff laws, this will commend itself to the good sense of the country as one so manifestly just that we should expect there would be a very general expression of public feeling in its favor. All classes can heartily unite in this effort to untrammel the industry of the country and to cheapen production. The free-trader and protectionist can at least here agree; the workman is quite as directly interested in this matter as the employer, for the effect of the tax is only to restrict the demand for the products of his labor. As a war necessity we cheerfully accepted this burden which the manufacturers of the country have borne with such uncomplaining loyalty; but now that the necessity is past, and that the national exchequer is in such a condition that it can easily and safely dispense with the revenue it produced, we think we are entitled, on behalf of manufacturers and their workmen, to demand its repeal. England, with all her load of taxes, has no such impost as this; her uniform policy is in every way possible to cheapen the production of her wares, and in the unequal contest which we are called to wage with her it is in the last degree unwise to put ourselves under this additional and unnecessary disability."

Sir, this generation embraces the widows, orphans, and maimed soldiers of the contending parties in a civil war, each of which parties had armies numbering more than a million men in the field. They at least are in no condition to welcome excessive taxation, especially those of the South, who are without even the poor pittance we give to ours as pensions. The folly of the dull farmer I have supposed—a case of stupidity scarcely probable, though possible within the range of human dullness—is the wisdom by which the Secretary proposes to guide the finances of this country and extricate them from embarrassments which in this report he depicts as almost overwhelming. Let us hear him. He says that—

"He has been clear in his convictions that specie

payments are not to be restored by an accumulation of coin in the Treasury to be paid out at a future day in the redemption of Government obligations; but rather by quickened industry, increased production, and lower prices, which can alone make the United States what they ought to be—a creditor and not a debtor nation."

And as if to illustrate his want of sincerity, or the confusion of his ideas, proceeds to speak of "certain branches of industry that are now languishing under the burdens which have been imposed on them;" and to tell us that though "the people of the United States are naturally a commercial and maritime people, fond of adventure—bold, enterprising, persistent"—

"The disagreeable fact must be admitted, that, with unequalled facilities for obtaining the materials, and with acknowledged skill in ship-building, with thousands of miles of sea-coast, indented with the finest harbors in the world, with surplus products that require in their exportation a large and increasing tonnage, we can neither profitably build ships nor successfully compete with English ships in the transportation of our own productions. Twenty years ago it was anticipated that ere this the United States would be the first maritime Power in the world. Contrary to our anticipations, our foreign commerce has declined nearly fifty per cent. within the last six years."

And as if to impress us more profoundly with our present inability to bear excessive taxation, he sets forth the following statistics:

"The tonnage of American vessels engaged in the foreign carrying trade which entered United States ports was—

In 1860.....	5,921,285 tons.
In 1865.....	2,943,661 "
In 1866.....	3,372,060 "

"The tonnage of such vessels which were cleared from the United States was—

In 1860.....	6,165,924 tons.
In 1865.....	3,025,134 "
In 1866.....	3,383,176 "

"The tonnage of foreign vessels which entered our ports was—

In 1860.....	2,353,911 tons.
In 1865.....	3,216,967 "
In 1866.....	4,410,424 "

"The tonnage of foreign vessels which were cleared was—

In 1860.....	2,624,005 tons.
In 1865.....	3,595,123 "
In 1866.....	4,433,384 "

While admitting that something of the diminution of our shipping must be attributed to the effects of the war, the Secretary, as if to prove that high taxes have been more destructive than war, says:

"The scarcity of American vessels ought to have produced, and but for a redundant currency and high taxes would have produced, activity in our ship-yards and a rapid increase of tonnage; but this has not

been the case. The prices of labor and materials are so high that ship-building cannot be made profitable in the United States, and many of our ship-yards are being practically transferred to the British Provinces. It is only a few years since American ships were sought after on account of their superiority and cheapness; and large numbers of vessels were built in Maine and other States on foreign account or sold to foreigners, while at the same time our own mercantile marine was being rapidly increased." *

* * * "It is an important truth that vessels can be built very much cheaper in the British Provinces than in Maine. Nay, further, that timber can be taken from Virginia to the Provinces, and from these Provinces to England, and there made into ships which can be sold at a profit; while the same kind of vessels can only be built in New England at a loss by the most skillful and economical builders."

* * * * * "The same causes—a redundant currency and high taxes—that prevent ship-building tend to prevent the building of houses and even of manufactories. So high are prices of every description that men hesitate to build dwellings as fast as they are required, and thus rents are so advanced as to be oppressive to lessees, and the healthy growth of towns and cities is retarded. So it is in regard to manufactories. Mills which were built before the war can be run profitably, but so expensive are labor and materials that new mills cannot be erected and put into operation with any prospect of fair returns upon the investment, unless upon the expectation that taxes will remain as they are and prices be sustained, if they are not advanced. The same causes are injuriously affecting agriculture and other interests which it is not necessary to particularize. It is everywhere observed that existing high prices are not only oppressing the masses of the people, but are seriously checking the development, growth, and prosperity of the country."

What remedies does our sagacious Secretary propose for the evils he so truthfully depicts? One, and apparently in his judgment the most efficacious, is that which I have been considering, namely, to add not less than four or five million dollars per month to the price of American products by taxing them to that amount for the express purpose of extinguishing so much of our national debt! If gentlemen doubt my statement I beg them to give the report an attentive reading. This mad policy pervades all its suggestions. Nor is it to be temporary. It is to be the fixed policy of the Government, and he says our debt which, according to his statement, was on the 31st of October last \$2,551,424,121 20, "can be paid by the generation that created it."

Sir, if my suspicion that the preparation of the Secretary's report was committed to a treacherous subordinate be correct gentlemen will be able to estimate the wantonness of that person's cruelty by the fact that in further illustration of the absurdity of its leading proposition he proceeds to tell us that "between the years 1848

and the 1st of July, 1860, the product of the gold and silver mines of the United States was about \$1,100,000,000," but that "it is not probable that the amount of gold and silver now in the United States is very much larger than it was eighteen years ago." And as if to give greater effect to what, were it not gravely trifling with the prosperity of the American people, might be regarded as a huge joke, adds the fact that beside exporting all our bullion we have, in exchange for perishable foreign commodities which we might have fabricated from our own raw materials, given to foreign capitalists, who now hold them, interest-bearing evidences of debt to the amount of \$600,000,000, as follows:

United States bonds.....	\$350,000,000
State and municipal bonds.....	150,000,000
Railroad and other stocks and bonds.....	100,000,000
Total.....	<u>\$600,000,000</u>

Nor does he yet stay his hand in presenting reasons why we should not adopt his proposition, for he informs us that the reports of the custom-houses show that though we exported specie during the fiscal year which ended June 30, 1866, to the amount of \$82,643,374, the balance of trade, as shown by those reports, was still against us in gold values \$8,009,577. And with a measure of candor for which I award him full credit, adds:

"But these figures, taken from the reports of the custom-houses, do not present the whole truth. For many years there has been a systematic undervaluation of foreign merchandise imported into the United States, and large amounts have been smuggled into the country along our extended sea-coasts and frontiers. To make up for undervaluations and smuggling, and for cost of transportation paid to foreign shipowners, twenty per cent. at least should be added to the imports, which would make the balance for the past year against the United States nearly \$100,000,000. It is evident that the balances have been largely against the United States for some years past, whatever may have been the custom-house returns."

Mr. Chairman, I confess my ignorance of "Ingeany bankin'," and will proclaim my gratitude to any of its disciples who will so far admit me to its mysteries as to enable me to reconcile the Secretary's premises and conclusions.

Meanwhile I ask who but he, unless it be bankers and shavers of notes, importers of foreign goods, and holders of our bonds who desire to get two dollars for every one they invested in them, who but these does not see in this fearful array of evidences of our tendency to universal bankruptcy a necessity for developing our productive power by diminishing the internal taxes of the country to the lowest possible amount consistent with an economical administration of the Government?

And who but these does not see that by continuing the course we are pursuing we are retarding the permanent resumption of specie payments and postponing the day when we shall be able to enter judiciously upon the extinguishment of our debt?

Mr. McCulloch does not seem to perceive that this fearful array of facts is but so many concurrent items of evidence that notwithstanding our freedom, enterprise, and energy, and our infinitely diverse, easily-accessible, and inexhaustible stores of natural wealth, our extended sea-coast, fine harbors, broad lakes, and far-rolling rivers, which invite us to manufacturing and maritime effort and preëminence, we are but a mere commercial dependency. Like all other debtors we are at the mercy of our creditors. Though richer in natural resources than all of them combined the continuance of our prosperity is dependent upon the caprices or necessities of England and the nations of Europe, which, by protecting their industry and importing only raw material or commodities but slightly wrought and exporting products as much manufactured as possible, practice economies unknown to us, and by diversifying their industry provide remunerative employment for all their people.

Manufactures and agriculture are each the handmaid of the other, and the successful practice of both is prerequisite to profitable and sustained commerce. That sea-board nation which most diversifies its productions and best protects its skilled labor against unequal competition will ever be foremost in the race for commerce.

No, sir; the Secretary does not see the proper application of the facts he cites, and while dilating upon them illustrates his profound ignorance of the progress social science has made by reiterating trite maxims from English handbooks of political economy to prove that international trade-balances are settled with gold and silver and that the flow of specie "indicates the condition and results of trade between different nations." In the light of these laws I point him and the country to the fact that the trade between us and foreign nations has carried them our cotton and wool, our beef, pork, grain, and other staples, and \$1,100,000,000 of our bullion with \$600,000,000 of our bonds to pay for wines, silks, laces, cloths, &c., and iron rails to stretch across the coal and iron beds which underlie our country from the Atlantic coast to the Pacific and from the lakes to the Gulf, and ask them if the facts do not indicate bankruptcy as the "result" if the present and past "condition" of that trade be maintained. And whether, when as now we are compelled to look to our internal taxes for the bulk of our receipts, when duties on foreign imports could under no possible system provide us with adequate income, it would not be well as a pure question of revenue to so adjust

our taxes as to relieve American labor and land from every possible exaction and by every possible device to stimulate the development of our productive power and the immigration of skilled laborers into the country? Thus, and thus alone, can we check the flow of specie and bonds to Europe and retain among us as capital the production of our gold and silver mines with which to redeem the \$600,000,000 of bonds now held by foreigners. This the Secretary professes to desire, but how the imposition of extraordinary taxes upon our industry to the amount of \$50,000,000 per annum is to promote it he has not condescended to inform us.

The scheme of the Secretary is as unprecedented as it is unwise. It is without a single historical example. The first Federal debt was funded in 1791, and for sixteen years no effort was made to reduce it. In 1807 the receipts of the Government from ordinary sources were in excess of current expenses, and the surplus was applied to the debt. This easy and natural process of extinguishment continued till 1812. The average rate of payment per annum from 1807 to 1812 was about \$6,000,000, and at the breaking out of the war with Great Britain the debt had been reduced from \$75,000,000 to \$45,000,000. It was swollen by that war to \$127,000,000; but no extraordinary taxes were imposed for its redemption. The revenues of the Government were derived from ordinary sources, and such balances as remained after paying current expenses were applied to its absorption. No statesman of either period proposed to cripple industry and retard the development of the country by the imposition of extraordinary taxes as a means of extinguishing its debt. They wisely stimulated both by imposing higher duties upon foreign importations, and under the avowedly protective tariffs of 1824 and 1828 paid it off. Such a spectacle had never been witnessed before, for no other nation had ever liquidated its entire debt.

The American people will rather follow the successful example of the statesmen of those days and foster our industry than accept the crotchets of our present Secretary of the Treasury and cripple labor and diminish production by extraordinary taxation. They freely lent their substance to the Government and hold more than eighty per cent. of our national securities, and none of them are demanding payment. Nor need we be specially anxious about that part of our bonds that are held in Europe. They who hold them bought them as investments or as matter of speculation. As investments they pay better interest than the holders can elsewhere obtain with equal security, and we are not required to prostrate our industry by a vain attempt to hasten the day on which foreign speculators shall realize anticipated profits. England has never been

guilty of such stupidity. When the Napoleonic wars closed the governing class of England held her bonds, and like the money-changers and "Ingeany" bankers of our country clamored for the resumption of specie payments that they might get par for the bonds which they had bought during those wars at such prices as our own sold for and in paper as irredeemable and depreciated as ours has been. By this operation they would have made an average of one hundred per cent. on their investments. But governing class as they were, it was not until seven years after the close of the war that the statesmen who controlled the financial affairs of Great Britain attempted the experiment of a resumption, or till the suspension had endured for well nigh a quarter of a century. And only within a few years—I think I may say within the present decade—has England made serious effort to reduce the principal of her debt, nor has she yet imposed an extraordinary tax for the purpose. Her statesmen knew that her population was increasing and her productive power in process of rapid development, and they know also that so long as the interest is ready at maturity and the creditors of the nation see that its taxes are steadily diminishing and its population and resources increasing, they will regard the investment as safe.

Thus has England, while permitting her debt to increase, by showing her steady ability to diminish the taxes upon her people and provide for interest and current expenditures been able to reduce the interest on her debt from war rates to the low rates at which she now holds it; and that debt which by its immense volume seemed to overshadow her whole future, is now not in the proportion of ten per cent. per man, per dollar, and per acre to what it was at the date of the treaty of Paris. So will it be with us if we shun the nostrums of the Secretary of the Treasury. The estimated wealth of the loyal States at this time is \$17,428,000,000 and their annual product \$4,685,000,000. But thirty years hence, if the progress of our growth is not retarded by financial charlatanism, the wealth of those States will be \$90,000,000,000, and the annual product amount to \$23,000,000,000, and the now prostrate but naturally richer South will then rival the people of the North in prosperity and tax-paying power.

Let me, Mr. Chairman, as it is due to the Secretary I should say, that he does not rest this urgent demand for the speedy extinguishment of the debt upon principles of social science or national economy. In this matter his head yields to his heart. He is guided by a sentiment. He prides himself upon his magnanimity, and would ruin the industry of the North and retard the development of our country for a century if need be rather than wound the sensibilities of our "erring southern brethren." Thus, after indulging in some trite

reflections upon the evil of public debt in general, he tells us that—

"To the perpetuation of the existing debt of the United States there are also, it may be proper to remark, serious objections growing out of the circumstances under which it was created. Although incurred in a great struggle for the preservation of the Government, and therefore especially sacred in its character, its burdens are to be shared by those to whom it is a reminder of humiliation and defeat. It is exceedingly desirable that this, with other causes of heart-burnings and alienation, should be removed as rapidly as possible, and that all should disappear with the present generation, so that there may be nothing in the future to prevent that unity and good feeling between the sections which are necessary for true national prosperity."

To others than the Secretary it is known that the country is no longer divided into hostile sections. That which made the South sectional was slavery and pride of caste. Slavery, thank God, has been forever abolished and pride of caste is vanishing. Yes, sir, the decree, sustained by a majority of nearly half a million of the voters of the northern States and enduring as the fiat of Heaven, that pride of caste must disappear from American politics has gone forth. Henceforth he who breathes the air of our country, let his color or fatherland be what or where it may, may by his own volition invest himself with the attributes of American citizenship. Everyone born on the soil is a citizen, and our naturalization laws are henceforth of universal application.

I fear the southern people after reading the Secretary's report will regard him rather as a man of sentiment than of affairs. They may applaud the delicacy of his sensibilities, but while doing so will probably wish that a well-informed statesman presided over his Department. Destructive to our interests as the attempt to provide for the payment of our debt by extraordinary taxes on this generation would be, the southern people are less able than we to endure the mad experiment. Among them are, as I have said, the widows, orphans, and maimed soldiers of their armies, whose poverty is not relieved even by the pittance we give as pensions to the same classes; their industrial system has been overthrown and is not yet reorganized; their cities and towns by their dilapidation tell how their trade and commerce have suffered, and their lands to a great extent lie waste; their banks, insurance companies, and other moneyed institutions have gone into liquidation; their railroads are in ruins and almost bare of rolling-stock; and they are making daily appeals to the people of the North, whose presence among them the baser sort of Southrons will not permit, for capital with which to open and work mines of gold, silver, copper, lead, iron, and coal, in which their land abounds. Scourged by the results of their own folly they are awakening

to a knowledge of the value of their possessions, and are proposing to make them available. They desire if they can obtain the requisite capital to locate the factory near the cotton-field and the forge and furnace near the mine and ore bed.

A brief extract or two from southern papers of very recent date will show how cruel Mr. McCulloch is to those to whom he wishes to be so kind. Says the Petersburg Index:

"The variety of schemes devised for the relief of that numerous and unfortunate class of persons who are now laboring under pecuniary embarrassment evinces the necessity, as well as the difficulty, of providing an adequate remedy for the mischief sought to be prevented. A further extension of the stay law, a total or partial repudiation of private indebtedness, and the exemption of specified property from involuntary alienation are some of the expedients now brought forward to meet the pressing exigencies of the occasion."

The Nationalist, Mobile, Alabama, says:

"Reliable planters from Mississippi say that not one half dozen, on an average, in each county in that State, can pay their debts. Large tracts of valuable land are selling at nominal rates."

And the Richmond Times says:

"If the tide of immigration continues to flow by us, and we make no energetic and intelligent effort to secure it, taxation will speedily devour what little the war left, and a few years hence when the pine, the persimmon, and the sassafras have made a wilderness of many a broad and once fertile field, some inauspicious day the tax-gatherer or the sheriff will hang out his red flag over the ruins of the old family mansion, and then, alas for the paternal acres, and the dear, sacred old homes of our boyhood! for everything, even the dear old graveyard, where repose the honored dust of our forefathers and the bones of many a noble 'soldier,' 'son,' and fair daughter will pass into the hands of some codfish-eating Puritan from Boston or Nantucket."

How incapable the people of North Carolina are of enduring extraordinary taxation is shown by reference to facts which occurred anterior to the war by a writer in the Newbern Times of September 8. After saying with truth that "the old North State is inferior to none of her sisters in the combined advantages of situation, climate, agricultural and mineral riches," he proceeds to make the following exhibit:

"In 1860 North Carolina ranked as twelfth among the States, containing a population of 992,622, of whom 331,059 were slaves. The free population are distributed according to places of birth, as follows:

Born in North Carolina.....	634,220
Born in other southern States.....	21,446
Born in northern States.....	2,399
Born in foreign countries.....	3,299
Born at sea and not classified.....	201

"While North Carolina was thus receiving from

without her limits about twenty-seven thousand immigrants, she sent as emigrants to other States no less than 272,606 of her free-born offspring who are scattered throughout the western and southwestern States, of whom Tennessee received 55,000, Georgia 29,000, Indiana 27,000, Alabama 23,000, Arkansas 18,000.

"She was ninth among the States in her contribution to the population of the Union; seventh in contributing to the population of other States; behind all, save little Delaware and South Carolina, which ranks last of all, in the reception of citizens from other States.

"Of the vast foreign immigration, numbering upward of four millions, which has built up the manufactures and the internal improvements of the northern and western States she received only about three thousand, standing in that respect behind every State in the Union and behind three of the Territories."

But how capable the future people of North Carolina will be is well shown by the editor of the Old North State, published at Salisbury. In an article entitled "The Future of North Carolina," he says:

"The questions present themselves, how is all this to be done, and can the Government promote the great object by a proper policy? We shall endeavor to answer these questions to the best of our poor ability.

"The abolition of slavery has, in our opinion, changed the destiny of the State. The negro cannot be entirely relied upon as a laborer, and he must be assisted by or his place be supplied with white laborers sooner or later. These, except in a small portion of the State, cannot be profitably employed in agricultural pursuits until other interests are brought prominently forward and partially developed. This cannot be done without an influx of capital from abroad.

"The greatest of these interests, and those which we shall notice on this occasion, are the mining and manufacturing interests. It is perfectly useless for us to speak of the vast mineral wealth of North Carolina; it is known to all the world to be inferior to that of no country on the globe, both in quantity, quality, and variety of minerals, but we have no capital to render them available.

"And to the capitalist who desires to engage in manufacturing, no country in the world presents more inducements than North Carolina. Her water power is unsurpassed. As a general thing steam is useless in the State for manufacturing purposes; for the face of the country is intersected by water courses such as abound in few other lands. If we look at the map we shall see that there is a perfect net-work of streams, showing that it is one of the best watered portions of the earth, and the structure of the country is such that every one of these streams can be made to drive machinery. All this magnificent provision of nature has thus far been permitted to waste, in a great measure at least.

"It is scarcely necessary to refer to these facilities more in detail. Every reader knows the vast capacity of our larger rivers for these purposes. That of the

Roanoke, the Neuse, the Haw, the Deep, the Main, the Yadkin, the South Yadkin, the Little Yadkin, the Catawba and other rivers of the State for driving machinery is scarcely equaled by any in the world, while we have many other smaller streams of very great capacity.

"And when all this water power is turned to account for manufacturing purposes, as it will be at no great distance of time, when we have thousands of furnaces in full blast turning the ores from the bowels of the earth into the richest marketable commodities, and when our vast deposits of coal shall be used for these and other purposes for which nature intended them, what a country we will have! What vast amounts of wealth must then flow into our laps. Our State will then be dotted over with the most flourishing manufacturing towns and villages and our now barren fields will teem with the richest verdure.

"This must necessarily be so. We stated at the outset that until the mining and manufacturing interests were at least partially developed imported white labor could not be profitably employed in agricultural pursuits. But when these interests become to be a power in the State the thing changes. All the thousands, if not hundreds of thousands, of factory operatives and miners must find a support, and the result will be that vast home markets will be created. The soil will be heavily taxed for their sustenance and consequently vast improvements will be made in our system of agriculture—and nothing needs improvement more. But we will not pursue this line of remark further—we have presented the general outlines, and we leave it to the imagination of our readers to fill up the picture. In the course of time the farms of our State will rival those of the Dutch Pennsylvanians; our lands will become equally productive, while our system of internal improvements will become equal to theirs."

More gladly, sir, than the people of the North will those of the South welcome release from every dollar of taxation from which sagacity can exempt them. And I assure the Secretary that the people of no part of the country have shared so largely as those of the South the surprise and wonder to which he alludes.

Mr. McCulloch says:

"We have but touched the surface of our resources; the great mines of our national wealth are yet to be developed."

This is specially true as to the southern portion of our country, and in the name of the impoverished people of that section I ask, is it well to tax a generation the surface of whose resources has not been touched by the transmuting hand of labor, and the mines of whose wealth are yet to be developed, in order to pay the principal of a mortgage the holder of which neither needs nor desires his money? and would not wisdom or state craft suggest the propriety of enabling the owners of these mines of wealth to accumulate the capital with which to work them and by the magic touch of labor to convert them into current gold? The taxing pro-

cess maintains our exhausting dependence on foreign nations, while the developing process would make us as free commercially as we are politically; and enable us, by our example of liberal wages and freedom from their exhausting hours of toil, to influence the commercial and manufacturing usages of European States, as our political example is influencing their political and social institutions.

The Secretary, however, has other prescriptions than that of excessive taxation by which to restore the country. In his opening paragraphs he says:

"With proper economy in all the Departments of the Government, the debt can be paid by the generation that created it, if wise and equal revenue laws shall be enacted and continued by Congress, and these laws are faithfully enforced by the officers charged with their execution."

Again, he tells us that he "has mainly directed his attention to measures looking to an increase of efficiency in the collection of revenues, to the conversion of interest-bearing notes into five-twenty bonds, and to a reduction of the public debt." Efficiency in the collection of revenues, forsooth! "The faithful enforcement of laws by the officers charged with their execution!" These are brave words to fall from the lips of one whose faithless exercise of official functions in this very matter has during the past year cost the Government more than \$50,000,000. Brave words, indeed, are these from one who in a wicked attempt to subvert the popular will by the corrupt use of official patronage has removed hundreds of well-trying, capable, and experienced officers of the revenue and customs departments and substituted for them men deficient alike in capacity, experience, and character. There is not a congressional district in the country whose people are not grieving over the fact that the Secretary of the Treasury, who embodies in his report reiterations of these fine phrases, has wantonly and wickedly aggravated the onerous taxation under which they groan. Let who will speak of the necessity of a faithful administration and due enforcement of the revenue laws, for which every patriot will pray, becoming modesty would constrain the Secretary of the Treasury to avoid the topic. This is a matter on which Congress should take early action, and if it means that the customs and internal revenue laws shall be faithfully and impartially enforced it must see that another than the author of the report I am considering shall have the selection of officers for their enforcement.

Some of the Secretary's suggestions are embodied in distinct—no, not in distinct, but in numerical propositions. To one of these I invite the attention of the committee. It is as follows:

"2. That the duties upon imported commodities

should correspond and harmonize with the taxes upon home productions; and that these duties should not be so high as to be prohibitory, nor to build up home monopolies, nor to prevent that free exchange of commodities which is the life of commerce. Nor, on the other hand, should they be so low as to seriously impair the revenues, nor to subject the home manufacturers, burdened with heavy internal taxes, to a competition with cheaper labor and larger capital which they may be unable to sustain."

"There's wisdom for you!" I venture to assert that Jack Bunsby throughout his intellectual career never uttered a more characteristic proposition than that; and all will agree that since the celebrated Kane letter of James K. Polk our political literature has embodied no utterance more shrewdly Delphic.

This ingeniously inexpressive proposition does not embody the Secretary's only allusion to "home monopolies." He seems to hold them in special dread; and it is to be deeply regretted that he has not indicated the argument by which his apprehensions are sustained, as they are not to be found in the works of the disciples of any school of political economy or social science.

The teachers of free trade do not agree with him in believing that high duties "build up home monopolies." They assert that protection secures undue profits to certain branches of production and tempts capitalists to ruin themselves by so overdoing the business as to glut the market and have to sell their goods at small profits or at a loss. Their theory proceeds upon the want of judgment in capitalists and business men—but by asserting that high duties beget undue domestic competition denies that they promote local monopolies.

Nor does Mr. McCulloch agree with the school of protectionists, for they say that assured protection against unequal competition gives capitalists confidence and induces them to open mines and build furnaces, forges, and factories, whereby constant employment and ample wages are secured to the otherwise idle people of the country. This theory proceeds on the assumption that the American manufacturer is competent to measure the contingencies of our own markets and of the natural course of foreign trade, but is not competent to resist the gigantic efforts which were commended by Lord Brougham, and one of which is now making by the Cræsus-like capitalists of England "to stifle in the cradle those rising manufactures in the United States which the war has forced into existence."

Our present condition resembles very closely that of the States of Europe at the close of Napoleon's wars, and the following passage from the admirable address of John L. Hayes, Esq., entitled "The Fleece and the Loom," embodies illustrations of fixed laws applicable

enough to dispel even the Secretary's dread of "home monopolies:"

"What would have been the future industrial condition of continental Europe if at the time when peace restored the nations to labor the textile manufactures had been left to their own free course and no legislation had intervened to regulate their progress? Can there be any doubt that they would have become the exclusive occupation of England? Alone in the possession of steam power and machinery; alone provided with ships and means of transport; alone endowed, through her staple legislation, with capital to vivify her natural wealth, she had absolute command of the markets of the Continent. The question was presented to the continental nations whether they should accept the cheap tissues of England, or at some sacrifices repel them, to appropriate to themselves the labor and profit of their production. The latter course was successively adopted, with some modifications, by each of the continental nations; and with what results to their own wealth and the industrial progress and comfort of the world? Instead of a single workshop Europe has the workshops of France, Russia, Austria, Prussia, Belgium, Sweden, Denmark, Spain, each clothing its own people with substantial fabrics; each developing its own creative genius and peculiar resources; each contributing to substitute the excellence of competition for the mediocrity of monopoly; each adding to the progress of the arts and the wealth and comfort of mankind."

The fifth of the Secretary's propositions is "the rehabilitation of the States recently in insurrection." Referring to the conquered territories, which notwithstanding the President's usurpations await the action of the law-making power, Mr. McCulloch says:

"Embracing as they do one third part of the richest lands of the country, and producing articles of great value for home use and for exportation to other countries, their position with regard to the General Government cannot remain unsettled, and their industrial pursuits cannot continue to be seriously disturbed, without causing such a diminution of the production of their great staples as must necessarily affect our revenues, and render still more unsatisfactory than they now are our trade relations with Europe." * * * * "There will be no real prosperity in these States, and consequently no real prosperity in one third part of the United States, until all possess again equal privileges under the Constitution."

If it be true, as it undoubtedly is, that "one third part of the richest lands of the country" are by reason of temporary causes not producing "articles of great value for home use and for exportation to other countries" would it not seem to suggest the idea that this unhappy state of affairs should be permitted to pass away and these lands be made productive before they should be burdened with taxes not demanded by imperious necessity? And

whether before these lands shall be able to bear taxation for that purpose the people of the North, whose sacrifices during the war saved the integrity of the Union, should be called upon to extinguish the debt created by the crimes of the possessors of this broad and rich territory? The people of the northern States have certainly arrived at this conclusion, and I have shown that schooled by suffering the people of the South, while antagonizing them on many points, agree with them on this.

Pursuing this branch of his subject, Mr. McCulloch asks, "Can the nation be regarded as in a healthy condition when the industry of so large a portion of it is deranged?" And the people, North and South, answer "No; and in our enfeebled condition we pray you not to rob us of our working capital in order to extinguish a debt which was contracted for the benefit of mankind and future ages."

He asks again, "And can the labor question at the South be settled as long as the political status of the South is unsettled?" And the country answers "yes, there is no inseparable connection between the labor question and the political status of the conquered territories;" and adds that the "political status" of the South cannot be settled until its rebellious leaders discover that the loyal people of the country are able to defend its institutions against the usurpations of Andrew Johnson, accept the constitutional amendments already adopted and which are in process of adoption by three fourths of the States which now constitute the Union, and submit to Congress constitutions republican in form upon which the people shall have set the seal of their approval. The people of the loyal North cannot restore those of the conquered territories to their "political status." We can only consent to their restoration when they shall be willing that it shall take place on terms which will render the future peace of the country secure, and for this we are and have been ready. The leaders of the South not we are the dog in the manger. It is they who by refusing to abandon the dogmas that evoked the war and the oligarchic institutions that sustained it resist the influx of the tide of immigration that would fertilize their lands and republicanize their institutions.

The imminent want of the people of the South is not "political status." That would not enable them to settle the "labor question." What they want is capital and currency and a willingness to permit loyal men, whether white or black, native or foreign, to dwell among them, and by their labor quicken into commercial value the boundless and varied natural wealth of the land they occupy, but which they will neither work themselves nor permit others to work in peace and safety. When in obedience to a healthy national sentiment or the promptings of their own interests they will make capi-

tal secure, opinion free, and give peaceful scope to enterprise within their borders, the immense deposits which profitless to their owners now lie in bank, because under the hammering process of the Secretary of the Treasury judicious men are afraid to embark in new enterprises will be transferred to the South to develop her productive and taxable power, and make her populous and prosperous beyond the wildest dream of the visionary theorists who involved her in a war as causeless as it was disastrous.

Mr. Chairman, time will not permit me to answer all the Secretary's interrogatories or examine each of his numerical propositions.

But his friends may complain that I have not alluded to that which they regard as his chief specific. It is set forth in the second of another series of propositions as follows: "a curtailment of the currency to the amount required by legitimate and healthful trade." On this point, though not condescending to indicate what amount of currency is in his judgment required by "legitimate and healthful trade" in the present abnormal condition of the country, the Secretary is peculiarly coherent and luminous. He is clearly a disciple of Dr. Sangrado. He recognizes the circulating medium as the life-blood of commerce, and as Sangrado attempted to restore his patients by withdrawing blood and injecting warm water into their veins he proposes to assist extraordinary taxation in the work of rehabilitating the southern States, whose great want is currency and working capital, and in invigorating the languishing interests of the North by contracting the currency, and especially by withdrawing that portion which is of equal and unquestioned value in every part of the country—the United States notes, commonly called "greenbacks." He says:

"He regards a redundant legal-tender currency as the prime cause of our financial difficulties and a curtailment thereof indispensable to an increase of labor and a reduction of prices to an augmentation of exports and a diminution of imports, which alone will place the trade between the United States and other nations on an equal and satisfactory footing."

And that—

"He is of opinion that the national banks should be sustained, and that the paper circulation of the country should be reduced, not by compelling them to retire their notes, but by the withdrawal of the United States notes."

Mr. Chairman, had I been properly instructed in the mysteries of "Injeany banking" I might be able to comprehend and appreciate these suggestions; but in the blindness of my ignorance I cannot see what there is to commend his theory to the Finance Minister of our country. The greenbacks are, it is true, part of our debt, and must therefore at some day be redeemed; but they are the only

part of our immense debt which bears no interest; and while there are outstanding, as the Secretary's statement of December 1, 1866, shows, \$147,387,140 of compound-interest notes which are currency and used as such by the national banks, and \$699,933,750 of three-years' notes bearing seven and three tenths per cent. interest, all of which were purchased in a greatly depreciated currency, I cannot comprehend the philosophy which proposes to let the interest on these run, while absorbing a non-interest-bearing loan which the people cherish as furnishing the best currency except specie they have ever had.

The experiment if attempted as a means of hastening specie payments will prove a failure, but not a harmless one. It will be fatal to the prospects of a majority of the business men of this generation and strip the frugal laboring people of the country of the small but hard-earned sums they have deposited in savings banks or invested in Government securities. It will make money scarce and employment uncertain. Its object is to reduce the amount of that which in every part of our country and for the hundreds of thousands of millions of dollars of domestic trade is money and to increase its purchasing power; and by unsettling values it will paralyze trade, suspend production, and deprive industry of employment. It will make the money of the rich man more valuable and deprive the poor man of his entire capital, the value of his labor, by depriving him of employment. Its first effect will be to increase the rate of interest and diminish the rate of wages, and its final effect wide-spread bankruptcy and a more protracted suspension of specie payments. Anxious as the people are to relieve the country of the evils entailed upon it by the war, and willing as they have proven themselves to be to endure any privations or make any sacrifices required by the exigencies of the country, they will not consent to an experiment involving such terrible consequences for the purpose of paying the "Ingeany" and other banks which hold and use as part of their reserve our compound-interest notes two dollars for every one they invested in this interest-bearing portion of our "lawful money." Much as banks, bankers, and speculators in Government securities may approve this policy, the people earnestly and indignantly protest against it.

Does Mr. McCulloch forget that the compound-interest bearing notes are part of the "legal tender currency" against which he declaims, and that by absorbing them he will be contracting the currency and reducing the volume of interest that is compounding against the Government? The banks are required, those of certain cities, to maintain a reserve of "lawful money" equal to twenty-five per cent. of their circulation and deposits, and the balance of them a like reserve of fifteen per cent.,

and as he well knows they have absorbed and hold not greenbacks, but compound-interest notes as that reserve. He should keep his non-interest-bearing notes afloat till these are redeemed. They will mature in 1867 and 1868, and by redeeming them he will contract the currency at the rate of \$6,000,000 per month and relieve the Government of one of its most exhausting interest accounts. By this process he will keep five-twenties above par and promote the conversion into them of seven-thirties, and reduce the interest on that portion of our debt from seven and three-tenths to six per cent. But by his process of contracting the volume of greenbacks and imposing extraordinary taxes on our industry he will delay the redemption of the one and the conversion of the other, and may deprive us of the ability to redeem either the seven-thirties or compound-interest notes at maturity.

The people do not regard greenbacks and the notes of national banks with equal favor, but have a well-grounded preference for the former. They know that the ultimate redemption of the bank notes is secured by deposits of Government securities and the maintenance of a reserve of greenbacks; and as the substance is more solid than its shadow, they prefer that which secures to that which requires to be secured. Several national banks have failed; and though the ultimate redemption of the notes was secured, there was no provision for their immediate redemption, and the laboring people who held them had to sell them at great loss to "Ingeany" or other bankers, who could afford to hold them till the Government was ready to redeem them. Having sustained no such losses by greenbacks they naturally prefer them. Adequate as these reasons are for the popular preference, there are others which I will state, in the language of the Secretary's report.

Mr. HOOPER, of Massachusetts. If I understand the gentleman from Pennsylvania, he asserts that when national banks fail their notes cease to circulate. Has the gentleman ever heard of any such instance? The Government is still responsible when the bank fails, and these notes are redeemed when presented at the Treasury. I understand they circulate, therefore, as well after as before the suspension of the bank. It may be remembered that the Treasurer of the United States was recently somewhat criticised by the press for his statement that the national bank notes were better after the bank failed than before.

Mr. KELLEY. I have recognized the ultimate responsibility of the Government for them, but I know that traders, and traders in money especially, take advantage of all contingencies, and I have known laboring men to sell to brokers the notes of a broken national bank at considerable loss. The announcement that a bank has failed depreciates

the notes in the market, for the people, and especially laboring people, are not as familiar as the gentleman from Massachusetts with all the minute provisions of the law by which the ultimate redemption of these notes is secured; and when a bank fails those poor people, who cannot carry them to the Treasury for redemption, are compelled to sell them at a heavy loss. But, as I was proceeding to show, the Secretary of the Treasury more than sustains my position on this point, for he deliberately argues that legislation is required "to make them throughout the United States a par circulation." He says:

"The solvency of the notes of national banks is secured by a deposit of bonds with the Treasurer at Washington; but as the banks are scattered throughout the country, and many of them are in places difficult of access, a redemption of their notes at their respective counters is not all that is required to make them throughout the United States a par circulation. It is true that the notes of all national banks are receivable for all public dues, except duties upon imports, and must be paid by the Treasurer in case the banks which issued are unable to redeem them; but it will not be claimed that the notes of banks, although perfectly solvent, but situated in interior towns, are practically as valuable as the notes of banks in the sea-board cities."

These depreciatory remarks are not applicable to greenbacks. They are of equal value throughout the country, and the people cherish them for this reason more than from the fact that they are the evidence of a patriotic loan made by the people to the Government without interest. Had Mr. McCulloch suggested that the national bank notes, for holding bonds to secure which we pay the banks \$18,000,000 per annum, should be supplanted by greenbacks, and that a sum equal to the interest on the bonds should be applied to the creation of a sinking fund for the redemption of the national debt, the people would have applauded his wisdom and patriotism, and not questioned his motives as they are now constrained to.

Had such been the Secretary's suggestion he might have omitted this one of his propositions, namely, to compel "the national banks to redeem their notes at the Atlantic cities, or, what would be better, at a single city," which, in plain language, is a recommendation that we increase the power and profits of the banks of New York by compelling every national bank outside of that city to deposit a portion of its funds with them. The gambling tendencies of the New York speculators in stocks and provisions need no such stimulant as this; and recent experience has shown that leading banks of that city are managed more recklessly than any others in the country, and would therefore be an unsafe depository for so large a trust. Less than a month ago the Secretary tested their management and produced a per-

turbation in prices throughout the country by which fortunes were lost and won by calling upon them for a small portion of the Government deposits, which were mistakenly supposed to be represented by a reserve of greenbacks in their vaults. He has not given the facts to the country, but it is known in well-informed circles that some of them were compelled to ask for a "brief extension" because they were unable to pay the checks of a depositor. Practical men may therefore be excused for speaking of the proposal of such remedies as charlatanism.

Mr. Chairman, as I have said, the Secretary has not ventured to indicate what, in his judgment, is the amount of currency "required by legitimate and healthful trade" in the present condition of the country. That condition is abnormal, though not entirely peculiar, and certainly not unprecedented. By unwise and unpatriotic legislation, which was dictated by the magnates of the South, millions of our poor people were doomed to the simplest and least remunerative forms of agricultural labor, or to enforced idleness, in which they were tending to barbarism; while our raw materials were being wrought into fabrics for our use in the workshops of transatlantic nations, and we had thus been drained of specie and had become largely a debtor nation before the war begun. Those same magnates plunged us into a war of unprecedented proportions, which we were unable to maintain with a specie or convertible currency. In the hour of our need we discerned the fact that ours is one of the two countries to which, in the language of Gortschakoff, the enlightened prince who is guiding the destinies of the other, "God has given such conditions of existence that their grand internal life is enough for them," and determined that until the war and its consequences should have passed away we would give the world an example of our ability and self-reliance, and use a currency based, not on the international standard, gold and silver, but on our faith in the resources of our country and the integrity of its Government. We thus furnished the Government \$3,000,000,000 with which to create, arm, feed, clothe, and pay our Army and Navy.

How this prompt supply of money quickened industry and developed the productive power of the country I need not pause to say. I will, however, remind the committee that though it was "irredeemable legal-tender currency," it restored the credit of the nation, which had been unable to borrow \$5,000,000 at twelve per cent., and lifted the people from the bankruptcy of 1857 to a degree of prosperity unequalled in our history. From 1857 to 1861 the rate of interest was high and that of wages low, and neither capital nor labor could find profitable and permanent employment. But with a safe, though perhaps somewhat redun-

dant, currency, by the use of which our people were compelled to look to our own workshops for supplies, prosperity, in the midst of war, succeeded the adversity of contracted and stagnant peace with magic speed. And if we now adopt a tariff law that will protect our industry as faithfully as did the difference between our paper and gold, in which we required the duties on foreign imports to be paid during the war, we will soon discover that there is ample and profitable employment for all the currency authorized by law; and that if we resolutely refuse to increase its volume it will approximate the standard of convertibility more rapidly by the development of the productive power of the country and the diversification of employment for the people than it can by the process of contraction at any rate. Protection and development will insure a prosperous future; but rapid contraction will reproduce the stagnation, bankruptcy, and suffering of 1837 and 1857.

The question presented to the mind of practical statesmen is not what would be the best currency if we were founding a new community, or how far we might with advantage add paper to a purely metallic currency, but is, what under existing conditions do the true interest of the country require. And on this question I again take issue with the Secretary of the Treasury and deny that the country will find in a rapid or material contraction of its currency, or in extraordinary taxation, a remedy for any of the evils that afflict it. If, as some of his friends have done, the Secretary should point me to the high prices which many articles command, or to the immense deposits which, unproductive to their owners, are enhancing the present profits and future liabilities of the banks, I will reply to him, as I have to them, that these are not proofs of the redundancy of the currency, but of his mistaken policy and inveterate mismanagement.

Though the use of those immense deposits is lost to their cautious proprietors, the money does not lie idle in the vaults of banks; it is lent on call in large sums to adventurers, who by its use enhance the price of such commodities as they can monopolize or control. Those who could make their own capital productive are afraid to use it, and reckless gamblers riot in its use. Yes, sir, the Secretary's policy is calculated to diminish production and stimulate speculation, which symptoms have been the twin precursors of all our commercial crises and eras of bankruptcy. Under his fatal policy—

"The native hue of resolution
Is sicklied o'er with the pale cast of thought;
And enterprises of great pith and moment,
With this regard, their currents turn awry,
And lose the name of action."

The sagacious but prudent owners of those

deposits grieve that the money with which they would gladly open coal mines and ore banks and build forges and furnaces and factories and import skilled laborers from Europe to increase and diversify our productions, enlarge our home market, and swell the revenues of the Government, lies dead and profitless to them. They justly charge their loss and that of the country to Mr. McCulloch, who, from his Fort Wayne speech forward, has lost no opportunity, official or unofficial, to warn the energetic men of the country against embarking in any new enterprises or accumulating any considerable stock of goods, or otherwise enlarging their arrangements for the future; and who, in his last utterance—the report which I am considering—notifies them of the near approach of the fatal collapse by assuring them that though the banks are without specie, the balance of trade is vastly against us and the Treasury has nearly one billion dollars of temporary loan to provide for, he is "confident that specie payments may be resumed by the time our interest-bearing notes are retired, which must be done in less than two years, and probably will be in a much shorter period."

What the effect of an effort at early resumption under such circumstances would be every experienced business man in the country knows. They know that it can by any possibility be but a spasmodic movement, which will literally vomit forth from the country the little gold and silver left in it. They know that it will bankrupt individuals, corporations, States, and, alas, it may be, the national Government itself. The avowed object of the Secretary in contracting the currency is to increase the purchasing power of money; and they know that the rapid decline in prices pending this mad experiment will sweep away the garnered capital of those manufacturers whose stock largely exceeds their working capital, exclusive of buildings and machinery, that mechanical and manufacturing production must be wholly suspended till the blighting tornado shall have spent its power, and that while it rages the receipts of the Internal Revenue Bureau must fall to zero.

But, sir, if by thus returning to the wretchedness of 1857 and 1837 we could resume specie payments, how long could we maintain them? The Secretary tells us that \$350,000,000 of our bonds are held abroad. The average rate at which they were bought, when gold for long periods was above two hundred per cent., was less than fifty cents on the dollar, nor was that small amount paid in specie; for he also tells us that—

"The opinion that the country has been benefited by the exportation of its securities is founded upon the supposition that we have received real capital in exchange for them. This supposition is to a large extent unfounded. Our bonds have gone abroad to pay for goods which without them might not have

been purchased. Not only have we exported the surplus products of our mines and our fields, with no small amount of our manufactures, but a large amount of securities also, to pay for the articles which we have purchased from other countries. That these purchases have been stimulated and increased by the facility of paying for them in bonds can hardly be doubted. Our importations of goods have been increased by nearly the amount of the bonds which have been exported. Not one dollar in five of the amount of the five-twenties now held in England and upon the Continent has been returned to the United States in the form of real capital. But if this were not a true statement of the case, the fact exists, as has been already stated, that some three hundred and fifty millions of Government bonds—not to mention State and railroad bonds and other securities—are in the hands of the citizens of other countries, which may be returned at any time for sale in the United States, and which being so held may seriously embarrass our efforts to return to specie payments."

Thus by Mr. McCulloch's own statement it appears that our bonds were bought at half their nominal value and paid for in commercial products which should have been created by our own industry from our own raw material by setting "our unemployed and poor people at work on the growth of our own lands;" and, if we may believe the Secretary's statement to which I have referred, a large portion of which commodities were brought into the country in fraud of our revenue laws by "undervaluations and smuggling." For what purpose, let me ask, were those bonds bought by their foreign holders? How long will they be held? When and under what contingencies are they likely to be returned to this country? And a more pregnant question still: what effect would be produced by the early return to specie payments threatened by the Secretary of the Treasury?

That I may do Mr. McCulloch no injustice, I answer these momentous questions in the language of his report:

"A large portion of these bonds have been bought on speculation, and will be likely to be returned whenever financial troubles in the countries in which they are held shall make it necessary for the holders to realize upon them, or whenever satisfactory profits can be made by returning them, which will be when they nearly approach their par value in coin."

Here at least he is right. Those bonds, having been bought at half the value expressed on their face, will be returned "when they nearly approach their par value in coin," and that will be when we resume specie payments. But as Mr. McCulloch has failed to pursue this operation to its inevitable result, the committee will pardon me for attempting the duty, though in doing so I may deepen the shades in the melancholy picture of our future which I have presented.

When those foreigners who bought our bonds

on speculation perceive that by returning them they can convert them into gold and double their investment they will assuredly avail themselves of the literally golden opportunity. Questions as to how they can reinvest the proceeds advantageously need not deter them. They know how limited our stock of specie is, how heavy the balance of trade is against us, and consequently that by selling their bonds in our markets they would compel us to suspend specie payments again. Nor are they strangers to the fact that during that suspension they would be able to repurchase their bonds for half the gold received for them. Thus the experiment of the Secretary would inevitably terminate in the impoverishment of the citizen and the disgrace of the country by a renewed and more protracted suspension of specie payments.

Mr. Chairman, neither the Secretary of the Treasury nor Congress know whether our currency is in excess of the amount required by legitimate and healthful trade, or if it be, how long it will remain so if undisturbed by legislation. Nor can we settle these points by an appeal to experience, for many of our conditions are novel. That would be a curious and instructive calculation which would show the country the precise demand for currency created by the operation of the Bureau of Internal Revenue, or by the enlargement of the Army and Navy and clerical force of the Government.

Under the discipline of Providence the southern people will, before many years glide away, consent to permit their fields to be tilled, their mines to be worked, and their cities to be rebuilt and expanded; and who can tell the amount of currency that will then be required by the four million enfranchised slaves and the two million poor whites, who did not in the past, but are henceforth to earn wages and buy and sell commodities, or for handling the crops and mineral productions of the South? Since we last adjourned the iron horse has crossed Nebraska on one of the routes to the Pacific, and his snort has been heard in the neighborhood of Fort Riley on another; and during the last year three hundred thousand industrious people, who had been fed and clothed through unproductive childhood at the cost of other nations, came and cast their lot among us to till our fields, smelt our ores, work our metals, and manage our spindles and looms; and I cannot guess what amount of currency these energetic people and the westward-marching column of our civilization will require. But, sir, of one thing I am certain, and it is that had the Secretary of the Treasury not destroyed all sense of security in the future, the demand for currency to purchase, especially in the South, mineral and other lands and develop their productive power would have prevented the accumulation of the immense deposits which now lie paralyzed in bank or are

loaned on call to speculators in the necessities of life. We unsettled values and made or scattered fortunes by the rapid expansion of the currency; and the people implore us to avoid another violent change fraught with like consequences, and to stay the work of contraction till we shall have ascertained, at least proximately, the amount of currency required by healthy and legitimate trade.

Mr. Chairman, the Secretary of the Treasury is not a philosopher—

“A primrose by a river’s brim
A yellow primrose is to him;”

And the thing that has been is, in his belief, the thing that shall be forever. Neither his experience as an “Ingeany” banker nor his official connection with the Government has disclosed to him the real relation of currency in detail or in volume to the business of a community. Throughout his report he assumes that the currency is redundant, and ascribes to its alleged redundancy consequences which are directly attributable to another cause but remotely connected with the question of the amount of currency. I refer to the prevailing and traditional vice in our banking system, that of building credits upon credit, of banking on deposits, or lending money by a bank to one man because it owes a like amount to another who has intrusted his funds to it for safe-keeping and convenience. To this vice in our banking system, which Mr. McCulloch has done much to aggravate by leaving stupendous balances of the public funds in favored banks, is to be ascribed nearly all the evils he mistakenly attributes to a “redundant legal-tender currency.” If the corporations and private bankers of the country were prohibited from lending on call the deposits intrusted to them or using them in discounting paper, the doubling of the volume of currency would not produce a material advance in the price of commodities in general. This vice in our banking system, this banking on deposits or lending that which the banks owe, and to calls for the payment of which they are constantly liable, aggravates from four hundred to one thousand fold every modification of our currency, whether it be by contraction or expansion.

Neither the price of gold nor of other commodities is regulated nor materially influenced by the amount of currency; nor is the difference between gold and our currency evidence that the latter is inflated. If the Secretary controverts these propositions, I will remind him that gold commanded a premium of 185 in 1864, and ask him to let us know how much he had contracted the currency before it went down to 25, as it did in June, 1865; and again, how much he expanded the currency to put the premium on gold up again to 50, at about which figure it stood so long before dropping to 29 and ascending again to its present price.

During all these fluctuations the volume of currency was not essentially modified. What a commentary these facts are upon the theories of the Secretary and his costly but vaunted attempts “to keep the business of the country as steady as possible.” On this point he says:

“He has regarded a steady market as of more importance to the people of the country than the saving of a few million dollars in the way of interest.”

And elsewhere, that—

“The Secretary has also deemed it to be his duty to use such means within his control as were, in his judgment, best calculated to keep the business of the country as steady as possible, while conducted on the uncertain basis of an irredeemable currency. To accomplish this he has thought it necessary to hold a handsome reserve of coin in the Treasury.”

But, sir, assuming that the volume of currency does not regulate prices, and that apart from the often fatal vice in our banking system to which I have alluded it has but little influence on them, I appeal from the judgment of Mr. McCulloch to that of the people, and ask whether, if the volume of currency regulated prices, it would not affect every species of property equally or nearly so?

If prices are regulated by the volume of currency, how is it that American wool is as cheap in the Philadelphia market now as it was before the war? How is it that corn is unusually low and wheat is commanding a higher price than ever before in the history of our country? How is it that during last month one variety of cotton goods, those known as brown or unbleached goods, advanced twenty per cent., or two cents per yard, and another variety, bleached goods, declined twenty per cent., or from five to seven cents per yard? How is it that mess pork commands but about half last year’s prices, while the decline in beef has been little more than nominal? And how is it that in 1865, with gold at 25, Lehigh coal commanded at the shipping point from five to six dollars per ton, and in 1866, with gold ranging from 32 to 40, the same qualities of coal at the same points will not bring three dollars to three dollars and a quarter per ton?

But I will not weary the committee with further illustrations of the absurdity of the Secretary’s postulate. It is, however, proper that before leaving this point for the present I should admit that a violent and sudden contraction of the currency at a time when the loans of our banks are extended by lending their deposits does work an inevitable and often ruinous reduction of prices. It is thus: under the influence of contraction depositors draw upon their reserve, and the banks to meet the demand call upon their debtors, and they to protect their credit must sell, no matter at what sacrifice, at such prices as they can get. I need not follow the movement to its consequences.

A tight money market, causing a few failures, has more than once begotten panic and wide-spread bankruptcy, and would now extinguish the revenues of the Government. Had the Secretary of the Treasury ascribed the fluctuations in business and the inordinate prices at which many of the necessities of life are held to their real cause, our habit of banking on accumulated credits, and not pressed the purpose of contracting the currency, the country would not be depressed as it is. Threatened contraction has hung like the sword of Damocles over the heads of our producing classes.

Let me ask, what is currency and what is its function? Currency is that which a people have agreed to accept and use as money. It is the medium by which the small transactions of daily life are settled. Its sphere is that of personal use and retail trade. Except in the final settlements between banks and their customers, it is not commonly used in large transactions. We carry currency upon our persons to meet current demands. You find it in the till of the retail dealer and the hands of workmen, who, when currency is abundant, are paid in it, and not in orders on stores at which they are compelled to select articles from a small stock of inferior goods and pay high prices, as they did when currency was scarce. It is possible that Mr. McCulloch does not know that the abundance of currency has redeemed our laboring people from the burdensome taxation inflicted upon them by the order system and payment in the depreciated paper of distant and unknown banks. Currency in its legitimate use has no wider sphere than I have indicated. Like all other blessings, it may be perverted, as it is when it accumulates as deposits in banks and is used as the basis of large loans to adventurous operators or speculators. In the heavy operations of business currency finds no place. These are settled by checks, drafts, and bills of exchange. Before the war currency was scarce, and the deficiency was supplied by the promissory notes of individuals who, by indorsing the notes of those who bought from them or those of their factors or commission merchants, became debtors to the amount due them from others. It is said that when the war began the amount represented by the promissory notes of individuals was more than \$200,000,000; but now that the supply of currency is adequate, few men take such notes, and none propose to give them but the people of the South, who have no currency. The contraction of the currency insisted upon by Mr. McCulloch would revive the credit system, with its orders, for work people, and its periodical returns of wide-spread bankruptcy to the community at large.

I do not think the Secretary is entirely ignorant of the simple truths I have been enunciating. It would be pleasant to know that he is, for it is not agreeable to be constrained to

doubt the motives of one to whom we have given our confidence. But in view of the communication made by Mr. Nasby and the fact that the Secretary's theories, if carried into execution, will promote speculation, I cannot help thinking that he regards banking and stock operations as the interests to which all others should be subordinated. He recommends the withdrawal of the greenbacks that the national banks may supply the circulating medium of the country, and he wishes each national bank to be compelled to deposit in one of the Atlantic cities a sufficient amount of its capital to justify the redemption of its notes at that point. The Atlantic city to which he points is the great center of banking and speculation, and compliance with these suggestions would aggravate the speculative power of New York by the proportion such deposits would bear to its general fund. His theories are in perfect accord with his practice, for I find that he is in the habit of furnishing the banks, and through them speculators, an average loan of about twenty-five million dollars. Thus by an official statement which lies before me it appears that the balances in the hands of the national banks was—

June 1, 1866.....	\$26,335,725	59
July 1, 1866.....	34,124,171	21
August 1, 1866.....	36,931,415	22
September 1, 1866.....	32,590,274	58
October 1, 1866.....	30,976,979	85

I am, however, informed officially that there was during those months a liability to draft on these balances distributed through not less than three months amounting in all to \$14,000,000 by coupons *in transitu* or in the hands of the holders; so that the banks could with safety lend on call during the whole period \$25,000,000 to those engaged in speculating in food and in increasing its price. Had \$20,000,000 of the sum been applied to the absorption of seven-thirties or compound-interest notes speculation would have been less rife, our interest account would have been materially diminished, and a slight approximation have been made toward specie payments and the ultimate redemption of the public debt. Doubtless Mr. McCulloch's desire "to keep the business of the country as steady as possible" alone prevented this happy consummation.

Sir, it is within our memory that the establishment of the sub-Treasury—the divorcement of the public Treasury from the banks and banking system of the country—overthrew the Administration and party that inaugurated it; but it is also remembered that so beneficent were its operations that no succeeding administration of any party dared assail it. It had not been in operation a year till it had vindicated its wisdom in the estimation of every judicious business man. Nor would it probably ever have been interfered with in time of peace. The great convulsion which threatened to divide

our country interrupted its action which should forthwith be restored. It acted as a regulator, a natural regulator, of the trade of the country. When enterprise ran into excesses and unduly increased the public revenues, it withdrew from circulation and locked up a portion of the currency, and by the stringency it thus created admonished banks and business men to pause; and when, having given an early check to rash operations and diminished the current revenues of the country, it gently, as by a process of nature, restored vigor to the circulation by the fact that its payments were in excess of its receipts, as its receipts had just been in excess of its payments. As a safeguard for the public funds, if for no other reason, the Secretary should have recommended its full restoration, for during the entire period of its existence, as far as I know, the Government did not lose by any of its officers as much as it did by the failure of the Merchants' National Bank of Washington alone. It was a safe depository for the public money, as well as a healthful influence in the business operations of the country. Had the Secretary suggested that it would answer as well for a mixed currency as it did for the era of specie payments, and recommended its immediate reestablishment he would have done much to give steadiness to the business of the country, diminish speculative prices, quicken production, and increase the revenue of the country. And I trust that Congress before it rises will pass a law prohibiting the deposit of any portion of the Government funds in any bank, or, in other words, divorce the Treasury from the banks by reorganizing the sub-Treasury.

It was perhaps too much to hope for such a recommendation from the Secretary. He enjoys the control he now exercises over the business of the country, and would not willingly surrender it. But for the maintenance of an average deposit of more than \$30,000,000 could the National-Union-Johnson party have extorted from the banks—perhaps not directly as corporations, but from their stockholders and officers, to be accounted for in the item of incidental expenses—the large contributions which the newspapers told us certain banks were forced to make in aid of the recent effort of the President and the Secretary of the Treasury to subvert the popular will. But this was but an occasional incident, probably never to occur again; for I believe that the future can produce to our country no second Andrew Johnson, or that should it contain within its womb another like unto him he will be unable to find creatures to sacrifice their own convictions and the interests of the country for the poor privilege of unworthily filling high places in a great Government. That of which I speak is the influence these deposits, coupled with his exclusive control of the gold in the Treasury, averaging about one hundred million dollars, which he com-

placently calls a “handsome reserve of coin in the Treasury,” give the Secretary over the business of the country.

Under the action of the sub-Treasury, as I have shown, a payment of money by the Government relieved a stringent money market; but how is it now? When the Secretary of the Treasury is sacrificing such immense amounts of interest in order to give steadiness to business the Government deposits are loaned by the banks on notes of short date or on call; and if the current revenues of the Government be in excess of its current expenses, as they have been throughout his administration, its deposits accumulate and swell the volume of such loans. The receipts of the Government thus aggravate the tendency to undue expansion; and what is the effect when it is required to use any considerable amount of its deposits? It is this: the Secretary notifies the banks that he is about to call for ten or twenty million dollars; and the banks, not knowing which of their debtors will be ready and who may be utterly unable to pay, notify not alone borrowers of the precise amount demanded by the Secretary, but holders of five, six, or ten times the amount. Thus that which should give relief to the market becomes an exaggerated cause of contraction, and the payment of \$10,000,000 by the Government is made to interfere with business operations to the amount of \$100,000,000. We have all observed this and know that instead of being a natural operation the effects of which should be felt beneficially, each payment of any considerable sum of money by the Government, after a long line of deposits has accumulated, produces a perturbation through all commercial circles. The payment of but \$15,000,000 in the early part of last month came near producing a national panic and damaged the credit of leading banks. This system gives the Secretary despotic control over the markets of the country, and his favorites may have ascertained practically, as did Voltaire, who was given to stock speculations, that “it is a good thing to have a friend at court” through whom they may learn when it is well to sell, because things have reached their highest price, as Government is about doing that which should establish confidence, but which, owing to the Secretary's efforts to insure steadiness to business, will produce consternation if not panic and a general decline in prices; and when it is well to buy, because it suits the convenience of the Government to make another large and long loan to the banks. Such a power over the business of the country should be vested in no man; and I challenge the world to point to any fact in the official career of the present Finance Minister of the country which would induce any judicious man to vest it in him. There certainly is nothing in the suggestions of the report which I am considering to indi-

cate that he is a safe depositary for so useless, so wide-spread, and so dangerous a power.

But, Mr. Chairman, I am admonished that I should hasten to a conclusion. I must, however, beg the committee to bear with me while I examine briefly another of Mr. McCulloch's suggestions. It is offered as a specific remedy, because it is said it will diminish the rate of interest on our loans and protect us against the direful contingency of the bonds bought on speculation at depreciated rates coming home to exhaust our specie within a month of the day on which we are, by the magical agencies suggested by Mr. McCulloch, to resume specie payments within two years. It is characterized by the candor and wisdom which pervade his other suggestions. To a shrewd man of mere practical business habits, one not skilled in the mysteries of "Ingeany bankin'," it might seem to be somewhat impracticable; and the country regards it with humiliation and disgust. It is this: that after having carried on the war without an appeal to foreign nations or capitalists and without their sympathy; after having by our patriotic sacrifices put our credit so high that the people of Europe have voluntarily come and carried away, with great profit to themselves, \$350,000,000 of our bonds; that now, when peace is restored, when we again possess the custom-houses, post offices, forts, and arsenals of the country, and when our taxes are not divided between our Treasury and that of a hostile confederacy, but all flow to our own, we shall issue "bonds payable in not over twenty years and bearing interest at the rate of not over five per cent., payable in England or Germany, to an amount sufficient to absorb the six per cent. bonds now held in Europe and to meet the demand there for actual and permanent investment."

If this scheme were practicable, I for one would spurn it. With their pirate ships on every sea, their ship-yards and factories busy in fabricating implements of war for our enemies, and in the face of their hatred, with self-reliance, of which posterity will be proud, we marched steadily on to conquest and final victory. And now, in the hour of our triumph, or in the calm season which should succeed so grand and successful an exhibition of power, with a continent beneath our feet abounding in raw material for the profitable employment of every art, trade, and mystery known to ingenious man; with India decimated by famine, Europe disturbed by wars and rumors of war, Ireland in incipient rebellion; and when we offer to the people of Europe established peace, political equality, public schools, a free church, and briefer hours of labor with better wages than those known to the artisans of any other country, this suggestion is as degrading as it is inopportune. Sir, nothing but some such folly as this official proclamation, as it would be regarded by the

people of Europe, that our struggle exhausted us, and that with victory came premature decrepitude, can prevent us from compelling the nations of the world, by the tide of skilled workmen that will flow from their shores to ours, to follow our example and give those who produce their wealth culture, leisure, and the consciousness of free manhood. In such an hour and in view of such a prospect I am sure that Congress will not degrade the country by asking the money-changers of Europe to lighten its burdens or help us bear them.

But the scheme is hopelessly impracticable. Mr. McCulloch may see advantages in it which others fail to detect. It would serve, I doubt not, by what he calls "the trifling commissions to the agents through whom the exchanges might be made," to found a great American banking-house in London with continental branches, and might bless the country with the hope of large gratuities from some future George Peabody whom the Secretary would designate as the agent for making transfers and paying interest; but it would not accomplish the purpose its author suggests. With such knowledge of human nature as we possess let us consider the proposition. Those who hold our bonds bought them either as an investment or on speculation, and the interest upon them ranges from six to seven and three tenths per cent. Is it probable that those who bought them as an investment will change them before maturity for bonds bearing but five or four and a half per cent.? Or will those who bought them as matter of speculation, in view of the Secretary's assurance that in less than two years we will resume specie payments and enable them to convert them into gold at par, hasten to make such a conversion? When the leopard shall change his spots, the vulture protect the dove, and hungry mice abstain from eating unguarded crackers and cheese, I will be prepared to regard the Secretary's proposition as practicable.

Nor need we grieve that it is not practicable. Our destiny is written. Unwise legislation or such reckless maladministration as now prevails may retard it, but it will be achieved. It is written in the sublime doctrine of human equality, which gives vitality and stability to our institutions, and more perceptibly though not more enduringly in the geographical position, the continental proportions, and the unequalled resources of our country. Bounded by both oceans, with a larger area than all the nations of Europe, including Great Britain, which lie between the same distant parallels of latitude that mark our limits, and embracing mineral, agricultural, manufacturing, and commercial resources greater than they combined possess, the United States must be the foremost, richest, and most powerful nation of the world. However blind our Finance Minister may be to this fact, others perceive it, and our

affairs will yet be administered in accordance with the sublime assertion of Gortschakoff, who, in an utterance to which I have already referred, when speaking of Russia and our country, said: "God has given to the two countries such conditions of existence that their grand internal life is enough for them."

Yes, the capitalist of Europe will yet be eager to lend us money as cheaply as they now loan it to England; but it will be when, by the conversion of our now profitless raw material into fabrics, by the skill and industry of our now unemployed citizens and the millions of industrious people who are coming to us from abroad, we manufacture more than we consume, and by rivaling England, France, and other continental nations in tropical markets, and those

of other non-manufacturing regions, shall have turned the balance of trade in our favor. Then Americans will be able to compete with foreigners in bidding for our loans; and in exchange for cotton, tobacco, and other staples, our bonds will be returned to us instead of woolen goods and various other textile and metallic fabrics, which we now receive but ought to manufacture for ourselves. But foreign capitalists will not take bonds from us at four and a half or five per cent. in exchange for those which pay six per cent., while the balance of trade is against us to the amount of \$100,000,000 per annum, and with compound-interest and seven-thirty notes afloat to the amount of nearly \$1,000,000,000, with more than Gascon vanity we promise the almost immediate return to specie payments.
